

Finance Report, Financial Year 2018/19 October 2018

Executive Summary

The income and expenditure forecast for the year has been amended in October to take account of changes that have occurred within the year and additional new priorities. The forecast is heavily dependant on DP income and priority operations as the most volatile, unpredictable and impactful on the overall accounts. Areas of potential savings have been identified as well as additional income where possible.

There have also been adjustments to infrastructure costs, most markedly around Sandfield House accommodation and fit out as well as changes to IT kit roll out. This area poses a significant challenge to our Capital projections as the ICO must spend within the £650k allocated to the ICO by DCMS or else prepare a business case to request a change in required Capital budget.

From a high level perspective, the overall expected turnout is:

	2018/19 Revised
Grant in Aid	- 3,750,000
Data Protection Income	- 39,560,868
Other Income	- 993,414
Salary Costs	28,877,483
Other Costs	14,026,820
Deficit/(Surplus)	- 1,399,979
GIA Advance Payback	1,400,000
Operational Surplus	<u><u>21</u></u>

The other major change has occurred around staffing costs; additional resource has been provided to ease the pressure of accelerated recruitment and ensure stability around the projected staff banding.

Income

As mentioned above, a full reforecast of DP income has been undertaken in October due to a larger than expected spike in registrations throughout September & October. The reforecast in July expected registration levels to level off to a historic norm of 6% after discounting the 10% increase experienced around May due to the introduction of GDPR. Based on our

current analysis, we expect the growth for the remainder of the year to be more like approximately 9% (Overall 19%). The income budget is therefore presented as actuals to date and the forecasted trajectory thereafter. This results in an overall income of £39.6m, an increase of £1.6m from the last forecast of £38m. Income to date is £22.7m, please refer to the appended income graph (and table below) to view the expected income profile over the coming months to financial year end.

Organisations paying by Direct Debit and therefore qualifying for a £5 discount of fees has remained steady at 43% (43% September). The projected level of 50% paying by Direct Debit may need to be revised down over the coming months, which will also increase our income.

We have also reflected the additional funding (£117k this year, total circa £500k) we have received from BEIS for the Regulatory Innovation Hub that the ICO are developing over the next 18 months to support other regulators in their specific innovative projects. The majority of this funding will be spent on staff and legal support.

Expenditure

Whilst the overall report for this point in the year appears to be reasonably on track there are a number of key challenges that require considerable monitoring. There have been material changes in the forecast to account for Sandfield House accommodation and fit out, Car Parking, IT Kit and most materially in the areas of staff and Priority Operations. There have also been a number of additional projects that have come online throughout the year.

A substantial amount of the additional forecasted income has been allocated to staff, we have increased the budget for recruitment and maintain a provision for potential back pay following the pay progression work. This leaves us with an overall salary budget (excl on costs) of £22.5m.

There is ongoing costs associated with our investigatory work. As this work is led by the evidence, precise cost forecasting has proved challenging in the earlier part of the year but in year costs are becoming clearer as we move through quarter three.

Cash Flow

Cash flow forecasting is based on the budgeted timings of cash in and out of the business. Whilst we expect there to be changes as the budget evolves, we do not foresee any material issues with our cash flow.

The largest fluctuations in our cash flow tend to occur due to payment of large CMPS and the quarterly consolidated payment to DCMS made up of those fines that the ICO cannot retain. This will be bolstered once the first

Fees Penalty Notices go out to late/ non payers however the volumes are not expected to be material within this first year.

DP Fee Income (attached graphical representation)

Month	2018/19 projected (revised July 2018)	2018/19 Actual	Variance to Budget	2018/19 projected (revised October 2018)	2018/19 Actual	Variance to Budget	%
April	1,901	1,901	-	1,901	1,901	-	0%
May	2,995	2,995	-	2,995	2,995	-	0%
June	3,583	3,583	-	3,583	3,583	-	0%
July	3,012	3,293	281	3,293	3,293	-	0%
August	3,016	3,241	225	3,241	3,241	-	0%
September	3,337	3,308	-29	3,308	3,308	-	0%
October	3,469	4,335	866	4,335	4,335	-	0%
November	3,356	-		3,457	-		
December	2,234	-		2,302	-		
January	3,896	-		4,013	-		
February	3,463	-		3,568	-		
March	3,752	-		3,564	-		
Total	38,015	22,656	1,343	39,561	22,656		

The number of registrations has steadily increased from 513,687 at the end of March to 587,536 at the end of October, an overall increase of 73,849 or 14%. If this pattern continues on an average basis (after discounting the initial 3 periods of the year as being extraordinary) the overall number of registrations would be 605,590 or 18% growth since March 2018. Given that the average increase has grown throughout the year, 19% is considered a more prudent estimate and has therefore been used as the basis for the October income reforecast total.

Civil Monetary Penalties (CMPs)

Below is the summary of those debts we still consider recoverable from the previous year plus new penalties issued to August 2018.

Gross debts B/fwd from 2017-18	2,343,445
Issued penalties gross	4,247,607
Issued prompt payment discount	-507,600
Irrecoverable debts written off	-
Net	6,083,452
Receipts*	2,232,942
Balance	3,850,510

*Of this sum, £463,400 is due to be paid to the consolidated fund in December 2018.

Spending controls

The Cabinet Office controls help government organisations to reduce wasteful expenditure. Version 5 introduces new controls for commercial and also digital and technology expenditure.

The ICO is complying with the Cabinet Office Spending Controls Guidance v 5.0

<https://www.gov.uk/government/publications/cabinet-office-controls-version-5/cabinet-office-controls-policy-version-5>

**Heather Dove
November 2018**

MANAGEMENT REPORT

For the Six Months Ending 30 September 2018

	Year To Date				Full Year	Prior Year
	Budget £	Actual £	Variance £	Var % %	Forecast £	2017/18 £
FOI GRANT IN AID	1,875,000	1,875,000	-	0.0%	3,750,000	3,750,000
NIS GRANT IN AID	-	-	-	0.0%	500,000	-
eIDAS	-	-	-	0.0%	46,000	45,000
DP FEE INCOME	17,844,435	18,321,481	477,046	2.7%	38,014,769	21,299,977
IPA INCOME	165,000	165,000	-	0.0%	330,000	330,000
TPS MANAGEMENT INCOME	4,711	4,711	-	0.0%	11,780	-
BANK INTEREST	-	395	395	0.0%	-	286
TOTAL INCOME	19,889,146	20,366,587	477,441	2.4%	42,652,549	25,425,262
RENT	420,725	412,997	7,728	1.8%	1,464,000	517,144
RATES & BUILDING INSURANCE	148,125	151,026	-2,901	-2.0%	416,250	285,122
SERVICE CHARGES	43,218	46,794	-3,575	-8.3%	167,002	54,125
CAR PARKING	13,100	11,073	2,027	15.5%	30,000	23,126
HEAT & LIGHT	43,300	40,143	3,157	7.3%	145,700	106,285
WATER	13,500	9,543	3,957	29.3%	27,000	14,692
CLEANING	55,250	56,454	-1,204	-2.2%	110,500	85,226
SECURITY	28,250	36,333	-8,083	-28.6%	56,500	62,921
WASTE	2,275	3,286	-1,011	-44.4%	4,550	4,834
REPAIRS & MAINTENANCE	31,667	22,626	9,040	28.5%	62,000	64,558
KITCHEN	18,813	17,678	1,134	6.0%	37,625	31,726
REMOVALS	-	-	-	0.0%	-	379
FURNITURE	105,000	57,867	47,133	44.9%	210,000	228,617
GENERAL EQUIPMENT	-	418	-418	0.0%	12,000	5,038
STATIONERY	37,275	32,451	4,824	12.9%	74,550	82,231
POSTAGE	30,800	28,937	1,863	6.0%	61,600	54,827
DOCUMENT DESTRUCTION	3,050	3,205	-155	-5.1%	6,100	5,750
OTHER	11,000	11,119	-119	-1.1%	24,000	6,932
OFFICE COSTS CAPITALISED	-	-	-	0.0%	-50,000	-220,005
TOTAL OFFICE COSTS	1,005,347	941,949	63,398	6.3%	2,859,377	1,413,527

MANAGEMENT REPORT

For the Six Months Ending 30 September 2018

	Year To Date				Full Year	Prior Year
	Budget £	Actual £	Variance £	Var % %	Forecast £	2017/18 £
SALARIES	9,785,565	9,108,769	676,796	6.9%	21,193,624	13,621,744
ALLOWANCE	3,850	3,833	17	0.4%	13,500	-
OVERTIME	143,250	146,444	-3,194	-2.2%	286,000	176,064
PENSION	1,795,535	1,795,536	-1	-0.0%	3,799,349	2,731,825
NATIONAL INSURANCE	938,342	938,343	-1	-0.0%	1,930,856	1,327,693
AGENCY STAFF	-	676,795	-676,795	0.0%	-	507,926
INWARD SECONDMENT	12,000	26,080	-14,080	-117.3%	12,000	108,884
NON EXEC BOARD MEMBER	27,474	33,331	-5,857	-21.3%	54,948	52,083
TOTAL STAFF COSTS	12,706,016	12,729,132	-23,116	-0.2%	27,290,277	18,526,219
RECRUITMENT	380,000	367,165	12,834	3.4%	760,000	288,209
RELOCATION EXPENSES	-	-	-	0.0%	-	4,459
HEALTH & SAFETY	22,500	30,144	-7,644	-34.0%	45,000	60,464
APPRENTICESHIP LEVY	38,089	38,954	-865	-2.3%	76,178	52,959
FURTHER EDUCATION	-	485	-485	0.0%	15,000	2,445
ALL STAFF SKILLS DEVELOPMENT	161,548	161,961	-414	-0.3%	278,000	178,311
SEMINARS AND CONFERENCES	9,867	8,519	1,348	13.7%	30,000	16,602
MANAGEMENT DEVELOPMENT	35,000	36,565	-1,565	-4.5%	60,000	48,416
CSL E LEARNING	-	-	-	0.0%	-	720
CSL WORKSHOPS	-	-	-	0.0%	-	12,498
PROFESSIONAL QUALIFICATIONS	-	1,965	-1,965	0.0%	-	13,397
INFORMATION TECHNOLOGY	-	6,357	-6,357	0.0%	-	1,469
TOTAL TRAINING AND RECRUITMENT	647,003	652,115	-5,112	-0.8%	1,264,178	679,949

MANAGEMENT REPORT

For the Six Months Ending 30 September 2018

	Year To Date				Full Year	Prior Year
	Budget £	Actual £	Variance £	Var % %	Forecast £	2017/18 £
HOSTING, WEB AND TELEPHONY	395,000	416,024	-21,024	-5.3%	790,000	576,487
APP & DESKTOP SUPPORT	365,000	387,946	-22,946	-6.3%	730,000	687,112
SOFTWARE LICENSING	405,000	364,489	40,511	10.0%	810,000	571,564
SECURITY CONTRACT	40,000	29,446	10,554	26.4%	80,000	21,857
NOTIFICATION PRINTING	120,000	52,050	67,950	56.6%	240,000	240,332
MANAGED PRINT	40,000	20,838	19,162	47.9%	80,000	47,360
CARD PROCESSING CHARGES	55,000	69,581	-14,581	-26.5%	170,000	110,069
HARDWARE MAINTENANCE	125,000	39,401	85,599	68.5%	250,000	96,045
GOV SECURE INTERNET	125,000	-	125,000	100.0%	250,000	176,495
TELEPHONY CALLS & BROADBAND	200,000	193,753	6,247	3.1%	400,000	303,891
TOTAL IT COSTS	1,870,000	1,573,527	296,473	15.9%	3,800,000	2,831,212
ICE CRM DEVELOPMENT	240,000	172,011	67,989	28.3%	480,000	464,215
FINANCE SYSTEM	-	-	-	0.0%	-	11,455
DOCUMENT STORAGE SOLUTION	132,500	142,705	-10,205	-7.7%	265,000	151,119
INFRASTRUCTURE	150,000	38,075	111,925	74.6%	300,000	749,574
HARDWARE & SOFTWARE UPGRADES	350,000	111,941	238,059	68.0%	700,000	226,073
PRE-PROJECT INVESTIGATIONS	2,500	37	2,463	98.5%	5,000	14,582
NPS RESOURCE	-	147,886	-147,886	0.0%	-	6,574
OTHER PROJECT WORK	50,000	57,240	-7,240	-14.5%	100,000	122,028
PROJECT WORK CAPITALISED	-	-	-	0.0%	-600,000	-527,318
TOTAL PROJECT SPEND	925,000	669,895	255,105	27.6%	1,250,000	1,218,303

MANAGEMENT REPORT

For the Six Months Ending 30 September 2018

	Year To Date				Full Year	Prior Year
	Budget £	Actual £	Variance £	Var % %	Forecast £	2017/18 £
CAMPAIGNS, MEDIA RELATIONS & PR	87,500	75,594	11,906	13.6%	280,000	90,342
MARKETING CONSORTIUM INCOME	-	-	-	0.0%	-	-42,401
MEDIA MONITORING	40,000	43,605	-3,605	-9.0%	80,000	21,472
DESIGN & PRINT	60,000	58,414	1,586	2.6%	60,000	46,482
DISTRIBUTION	15,000	12,284	2,716	18.1%	30,000	38,938
SURVEYS	20,000	25,140	-5,140	-25.7%	60,000	41,672
CONFERENCES GENERAL	200,000	200,391	-391	-0.2%	310,000	134,825
CONFERENCE INCOME	-50,000	-51,968	1,968	-3.9%	-100,000	-41,164
ICON DEVELOPMENT	2,500	-	2,500	100.0%	5,000	-
STAFF EVENTS	8,833	3,412	5,421	61.4%	37,000	2,494
WEB MAINTENANCE	13,500	10,502	2,998	22.2%	27,000	26,995
TOTAL COMMUNICATIONS	397,333	377,374	19,959	5.0%	789,000	319,654
BANK CHARGES	18,750	19,615	-865	-4.6%	37,500	38,917
EXTERNAL AUDIT	16,500	13,750	2,750	16.7%	33,000	30,000
INTERNAL AUDIT	34,500	40,487	-5,987	-17.4%	53,000	42,087
BAD DEBT WRITE OFF	-	-	-	0.0%	-	930
TOTAL FINANCIAL COSTS	69,750	73,852	-4,102	-5.9%	123,500	111,934
CAR HIRE	5,500	2,203	3,297	59.9%	11,000	5,927
EPCS CARD REBATE	-	-2,554	2,554	0.0%	-	-1,406
TRAVEL HOSTING	-	819	-819	0.0%	-	5,099
TRAVEL UK	263,460	281,096	-17,636	-6.7%	572,500	468,428
TRAVEL OVERSEAS	74,220	68,173	6,047	8.1%	155,000	141,713
TRAVEL INCOME - UK	-4,000	-603	-3,397	84.9%	-8,000	-1,690
TRAVEL INCOME - OVERSEAS	-8,500	-13,782	5,282	-62.1%	-17,000	-21,055
TOTAL TRAVEL	330,680	335,351	-4,671	-1.4%	713,500	597,017

MANAGEMENT REPORT

For the Six Months Ending 30 September 2018

	Year To Date				Full Year	Prior Year
	Budget £	Actual £	Variance £	Var % %	Forecast £	2017/18 £
LEGAL	634,000	656,672	-22,672	-3.6%	968,000	665,844
LEGAL COSTS RECOVERED	-12,500	-3,661	-8,839	70.7%	-25,000	-101,305
LIBRARY & SUBSCRIPTIONS	36,720	44,075	-7,355	-20.0%	73,040	64,844
PROFESSIONAL MEMBERSHIPS	3,735	11,931	-8,196	-219.4%	15,250	15,174
RESEARCH	31,250	28,351	2,899	9.3%	397,428	17,640
RESEARCH GRANTS FUND	250,000	252,302	-2,302	-0.9%	250,000	65,581
NIS DIRECTIVE	-	-	-	0.0%	10,000	-
PROFESSIONAL SERVICES	528,500	674,060	-145,560	-27.5%	810,000	368,413
OTHER	1,000	-	1,000	100.0%	2,000	-
STAFF RECOGNITION	12,000	-5,024	17,024	141.9%	12,000	11,634
TOTAL LEGAL, PROFESSIONAL & OTHER	1,484,705	1,658,706	-174,001	-11.7%	2,512,718	1,107,825
TOTAL COSTS	19,435,834	19,011,901	423,933	2.2%	40,602,549	26,805,640
CAPITAL SPEND	-	-	-	0.0%	650,000	747,322
OPERATING SURPLUS	453,311	1,354,685	-901,374	-198.8%	1,400,000	-2,127,700
GIA PROGRAMME 1819 ADVANCE	-560,000	-560,000	-	0.0%	-1,400,000	1,400,000
SURPLUS	-106,689	794,685	-901,374	844.9%	-	-727,700

INFORMATION COMMISSIONERS OFFICE

For the Twelve Months Ending 31 March 2019

	Actual Apr-18 £ (000)	Actual May-18 £ (000)	Actual Jun-18 £ (000)	Actual Jul-18 £ (000)	Actual Aug-18 £ (000)	Actual Sep-18 £ (000)	Forecast Oct-18 £ (000)	Forecast Nov-18 £ (000)	Forecast Dec-18 £ (000)	Forecast Jan-19 £ (000)	Forecast Feb-19 £ (000)	Forecast Mar-19 £ (000)
Cash flows from operating activities												
Net Expenditure												
DP FEE INCOME	-1,901	-2,995	-3,583	-3,293	-3,241	-3,308	-3,389	-3,277	-2,155	-3,817	-3,384	-3,672
IPA INCOME	0	0	-83	0	0	-83	0	0	-83	0	0	-83
TPS MANAGEMENT INCOME	0	0	0	0	-4	-1	-1	-1	-1	-1	-1	-1
OFFICE COSTS	133	148	183	139	195	144	222	222	222	222	222	861
STAFF COSTS	1,752	1,849	1,926	2,091	2,763	2,347	2,426	2,422	2,422	2,425	2,422	2,443
TRAINING AND RECRUITMENT	49	188	82	128	145	60	108	95	71	108	108	123
IT COSTS	224	223	254	176	194	503	364	364	364	364	364	406
PROJECT SPEND	103	76	175	129	60	128	197	197	197	197	197	-453
COMMUNICATIONS	169	30	56	38	45	41	49	49	109	49	49	108
FINANCIAL COSTS	21	3	3	13	22	13	8	8	8	8	8	8
TRAVEL	50	63	76	56	20	71	54	54	54	54	54	106
LEGAL, PROFESSIONAL & OTHER	364	351	159	323	186	275	72	64	65	65	64	523
Net expenditure total	962	-66	-752	-200	385	191	109	197	1,273	-326	103	370
Decrease in trade and other receivables	226	525	-486	450	46	502	-1,341	43	21	-2,524	1,295	-709
Increase in trade payables	-43	-758	-272	743	-168	-839	468	-378	-45	3,674	-1,936	101
Use of provisions	0	0	0	0	0	0	0	0	0	0	0	0
Net cash outflow from operating activities	1,145	-299	-1,510	994	263	-146	-764	-138	1,249	824	-538	-238
Cash flows from investing activities												
Capital Spend	0	0	0	0	0	0	0	0	0	0	0	650
Profit/Loss on Disposal of Fixed Assets	0	0	0	0	0	0	0	0	0	0	0	0
Net cash outflow from investing activities	0	0	0	0	0	0	0	0	0	0	0	650
Cash flows from financing activities												
FOI GRANT IN AID	-313	-313	-313	-313	-313	-313	-313	-313	-359	-313	-313	-313
NIS GRANT IN AID	0	0	0	0	0	0	0	0	0	0	0	-500
Grant in Aid Programme	140	0	0	140	140	140	140	140	140	140	140	140
Net cash flows from financing activities	-173	-313	-313	-173	-173	-173	-173	-173	-219	-173	-173	-673
Net increase/(decrease) in cash and cash equivalents in the year												
Net increase/(decrease) in cash	973	-611	-1,822	821	91	-318	-936	-310	1,030	651	-711	-261
Cash & equivalents- start of period	2,923	1,950	2,561	4,383	3,562	3,471	3,790	4,726	5,036	4,005	3,354	4,064
Cash & equivalents- end of period	1,950	2,561	4,383	3,562	3,471	3,790	4,726	5,036	4,005	3,354	4,064	4,325

Fee Income 2018/19

Fee income (£000)

Registration

